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Central Intelligence Agency

Washington, D.C. 20505

DIRECTORATE OF INTELLIGENCE

2 October 1985

Japan: Policy Toward North Korea

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Summary

Japan's relations with the divided Korean peninsula have always been a balancing act, marked by varying degrees of interest in developing ties to North Korea. Although Tokyo gives priority to its relations with Seoul and does not recognize P'yongyang, it sees both political and security reasons to maintain contact with the North. The Rangoon bombing put such contacts temporarily on hold, but the Japanese--with a perennial concern over a possible thaw in US-North Korean relations without advance warning--are again broadening unofficial ties to the North. Tokyo has also become embroiled in the cross-recognition issue. We believe Japan-South Korean relations could suffer if Tokyo does not carefully measure the pace of its developing ties to P'yongyang against Seoul's reaction and the likelihood of reciprocal moves by China toward the South.

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Tokyo has always considered stability on the Korean peninsula vital to its own security. Japanese officials argue that continued dialogue with the North could induce it to turn toward the West and eventually ease tensions on the peninsula. Moreover, the Japanese Government faces opposition party pressure in the Diet to treat the Koreans more equally, [REDACTED]

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[REDACTED] Tokyo does not have diplomatic relations with P'yongyang, the Japanese have maintained "unofficial" ties through trade and friendship associations. By the summer of 1983, LDP Dietmen had gone as far as to propose the exchange of journalists and liaison missions to promote trade. [REDACTED]

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Rangoon Sanctions

North Korea's bomb attack against South Korean officials in Rangoon two years ago brought efforts to expand ties to P'yongyang to a halt. On 7 November 1983 the Japanese Government announced it would not permit official travel between P'yongyang and Tokyo [REDACTED]

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[REDACTED] Tokyo imposed no formal restrictions on activities of private citizens, [REDACTED] the government would do its best to discourage travel to North Korea, especially by LDP politicians, and use administrative guidance to discourage trade. [REDACTED]

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Imposing the sanctions did not alter Japan's long-term view that isolating the North could be dangerous, however, and nongovernment exchanges continued. Tokyo was careful to use North Korea's "friends"--such as China--to emphasize that the West was not considering military or other hostile action, according to the Embassy in Tokyo. In addition, Foreign Minister Abe indicated that the sanctions were only temporary. [REDACTED]

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As the first anniversary of Rangoon approached, Tokyo faced mounting pressure to ease restrictions.

- After South Korean President Chun's visit to Tokyo in September 1984, domestic political pressure for a more even-handed policy toward the Korean peninsula increased.
- Foreign Ministry officials faced pressure from fishing interests to ensure continued access to North Korean waters and minimize the risk that Japanese fishing boats might be seized.
- Japanese officials' perennial fear that the US would inflict a Korean version of the "Nixon shock" of the early 1970s--when Washington normalized relations with

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Beijing without notifying Tokyo--added to Japanese concern over retaining restrictions.

-- Tokyo may also have hoped lifting sanctions would prompt P'yongyang to begin repayment on its mounting overdue debt.

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The signing of a private fishery agreement in October 1984, along with the resumption of inter-Korean contacts, convinced Japan that North Korea was showing signs of flexibility. On 31 October Tokyo announced it would lift the sanctions. The move had wide support within the government, the LDP, and opposition parties. Tokyo was careful to try to minimize the damage to relations with South Korea by consulting Seoul, as well as Washington, before the announcement and by delaying implementation until January 1985.

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Expanded Contacts

Removal of the sanctions resulted in a rapid expansion of contacts between Japan and North Korea. The number of North Korean delegations visiting Japan in the first half of 1985 increased significantly compared with the same period in 1984. The rank of visitors has also been higher--Kim Ki-Nam, the editor of the party newspaper, was the highest ranking government official to visit Japan since 1981 and the first Central Committee member since 1974. Although the Japanese maintain that visits will return only to the pre-sanction stage, both the number and level will probably increase beyond that.

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Kim Ki-Nam's contacts were limited to opposition party leaders, but the first goodwill delegation in five years, led by Kim U-Chong--the deputy of the department handling relations with the West--held unprecedented meetings with Japanese leaders. He talked with the heads of both houses of the Diet, LDP Deputy Secretary General Watanabe--one of Prime Minister Nakasone's chief lieutenants--former Prime Minister Miki, and the deputy of the fisheries agency. In response to a question in a Diet committee in June, Foreign Minister Abe did not rule out the possibility of Tokyo's accepting visits by such high-ranking officials as Party Secretary Ho Tam, depending on "the situation at the time." Meanwhile, the Embassy in Tokyo reports that a group of LDP members, probably headed by former Foreign Minister Ito, may visit P'yongyang later this year. Tokyo also allowed North Korean athletes attending the Kobe Collegiate Competition this month to fly for the first time directly from P'yongyang on a North Korean aircraft.

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Economic Relations

The lifting of sanctions has had a less significant impact on economic relations. Although trade negotiations have picked

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up--primarily involving pro-P'yongyang trade associations and Chosen Soren (the Federation of Korean Residents in Japan) [redacted]

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[redacted] despite the new law P'yongyang enacted last September permitting joint ventures, such projects have not fared well. For example, a recently completed department store in P'yongyang is suffering from low sales because purchases must be made in hard currency. In general, most Japanese businessmen remain skeptical of P'yongyang's efforts to build economic ties to the West. [redacted]

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North Korea's poor record in debt repayment, moreover, is likely to retard further growth in economic ties. North Korea has an outstanding debt of \$200 million in principal and \$50 million in interest on loans from Japanese companies, and has missed all four payments due since June 1983. [redacted]

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[redacted] payments in the near term are unlikely. The long delay has already forced one Japanese trading company into bankruptcy, and the bleak prospects for the future have convinced several others to withdraw from trade with the North. In fact, most of the companies still involved in North Korean trade are owned by or associated with Korean residents in Japan. [redacted]

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Cross-Recognition

In addition to efforts to encourage some progress in debt repayment and guarantee fishery arrangements, another impetus for Tokyo's improving ties to the North now is the recent discussions of cross-recognition, set against the backdrop of increasingly complex North-South talks. In our judgment, Tokyo would be alarmed by progress toward reunification, and views legitimizing the division of the peninsula as a better alternative to promote stability. Encouraging cross-contacts between the major powers and the two Koreas could move toward that goal, and we believe Tokyo sees expanded Japanese contacts with the North partly in this context. [redacted]

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Domestic Political Factor

Domestic political pressures further complicate Tokyo's task of weighing reactions from all the actors involved in cross-recognition and calculating prospects for progress in North-South talks. Although Prime Minister Nakasone harbors few illusions about P'yongyang's objectives in expanding discussions with the South, he seems to see an opening for some movement. If the talks show progress, he hopes to be in a position to take as much credit as possible for facilitating dialogue and drawing North Korea out of its isolation. Nakasone has gained considerable domestic political mileage from his foreign policy skills and will also want to be seen as contributing to cross-recognition should it move ahead.

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Like the Prime Minister, Foreign Minister Abe--Nakasone's political rival--views efforts to mediate the Korean problem as an opportunity to build political capital at home. With this objective in mind, he may still be considering Prince Sihanouk's request--apparently made at P'yongyang's behest--that Abe serve as a bridge between North and South Korea. Furthermore, while Abe's faction in the LDP has traditional ties to South Korea, he represents a constituency that has a strong interest in North Korean fishing waters.

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Another element on the domestic political scene is the P'yongyang lobby, which North Korea has carefully built and kept alive among Korean residents in Japan. In addition, the opposition parties--in particular the Socialists and the Communists--continue to argue for normalization of relations with the North. Within the ruling LDP, members of the North Korea-Japan friendship group continue to press for increased contacts with P'yongyang.

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Outlook

In our view, all of these pressures suggest that Tokyo will continue to develop ties to P'yongyang, keeping its options open in determining how best to proceed. Although the Japanese will continue to play a role in cross-recognition, they may also try

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to improve relations with the North independent of moves by China toward the South. A private Japanese group, probably with the tacit approval of the government, has already been negotiating with North Korea to establish for the first time unofficial trade offices in Tokyo and P'yongyang. The Japanese backed off after a demarche from Washington this spring, but we see no guarantee they will abandon this effort. [REDACTED]

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Tokyo's reaction to the demarche does indicate, however, the Japanese will weigh reactions from Washington as well as Seoul in formulating their strategy toward the North. Further movement on private trade offices could damage Japan-South Korea relations, given Chun's personal stake in his own proposal for four-way cross-trade offices and Seoul's concern that P'yongyang will be encouraged that major concessions from the West are possible without progress in North-South talks. Japan also recognizes the risk to ties with Washington, in light of the strategic importance of the US-South Korea-Japan relationship. With US-Japan economic differences already in the spotlight, Tokyo will not want to open another avenue for friction by warming up to the North too quickly. At the same time, the Japanese will make every effort not to fall behind any US movement they perceive toward the North. [REDACTED]

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Overall, we believe Tokyo will move cautiously to promote private contacts with North Korea while testing the waters for official relations. We see a possibility, however, of Japan stepping up the pace before significant improvement in Sino-South Korean ties if it believes the Japan-South Korea relationship is solid, Chun's government is stable, and North-South talks are making headway. Tokyo may calculate that under these circumstances, the risk of damaging relations with Seoul and Washington would be minimal. [REDACTED]

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